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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 11/26/07

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#### Articles:

1) Government, ruling coalition coordinating plan to convene regular Diet session on Jan. 18

SANKEI (Page 1) (Slightly abridged)  
November 26, 2007

The government and ruling parties launched yesterday coordination to extend again the current extraordinary Diets session until Jan. 16 and to convene the next regular session on the 18th. The aim is to enact a new antiterrorism special measures bill during the extra Diet session, as well as to pass bills related to a state budget for next fiscal year through the Diet by the end of March so that there will be no hindrance to processing the FY 2008 budget. The opposition camp will likely oppose the idea, however.

According to several government and ruling camp sources, the government and ruling coalition have determined that it would be difficult to enact the new antiterrorism bill during the ongoing session since Democratic Party of Japan (DPJ or Minshuto) President Ichiro Ozawa expressed again his opposition to the legislation in a

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one-on-one meeting on Nov. 22 with Prime Minister Yasuo Fukuda.

The government and ruling parties started coordination yesterday to readopt the bill with a two-thirds majority vote in the House of Representatives, based on Article 59 of the Constitution, which stipulates that the Lower House can take a second vote on a bill rejected by the Upper House within 60 days after the Upper House receives it.

Jan. 11 will be 60 days since the Upper House received the bill from the Lower House. Therefore, chances are that the Lower House will take a vote again after the current extra session is re-extended until 16 as Jan. 14 is a national holiday. The government and ruling camp began looking for a possibility of convening the regular Diet session on the 18th, since the ruling Liberal Democratic Party (LDP) is expected to hold a convention on the 17th.

The reason for the government and ruling bloc hurrying to open the regular session is there are many state budget-related bills that must be passed by the end of March. Most of such bills provide the government's annual revenue. In case they are not approved by the Diet, the state budget for next fiscal year could not be implemented. If they are rejected by the Upper House, they will have to be readopted by a two-thirds majority vote in the Lower House.

Therefore, the government and ruling coalition is considering enacting these bills at the end of March with a two-thirds majority vote based on (Article 59 of the Constitution) the Lower House should take a second vote on a bill rejected by the Upper House within 60 days after it sent it to the upper chamber, even if the opposition camp delays deliberations.

2) Fierce battle to develop over new refueling bill in Upper House

NIKKEI (Page 2) (Excerpts)  
November 26, 2007

A tug-of-war between the ruling and opposition camps will intensify starting today in the Diet over when to start deliberations on a bill to resume the Self-Defense Force's refueling activities in the Indian Ocean. The ruling coalition will request adopting of the bill

by the end of the current Diet session, which will run until Dec. 15, after holding speedy deliberations at the House of Councillors Committee on Foreign Affairs and Defense. The opposition camp, however, will first seek testimony by Finance Minister Fukushima Nukaga as a condition for starting deliberations on the bill, placing priority on the shedding of light on allegations of relations between Nukaga and the defense equipment trading house Yamada Corp.

Ichiro Ozawa, president of the main opposition Democratic Party of Japan (DPJ or Minshuto), when asked by reporters about how his party would respond to the new refueling bill at a press conference yesterday in the city of Otsu, stressed: "I think the public wants to know first the truth about a series of scandals involving the Defense Ministry."

The ruling and opposition camps have agreed to take a vote on a DPJ-sponsored bill to abolish the Iraq Reconstruction Support Special Measures Law at the Upper House committee tomorrow and to hold on the 28th in a Upper House plenary session for the government to explain its new refueling bill. Although the ruling bloc has

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sought the starting of deliberations on the new refueling bill on the 29th, the opposition has insisted that a question-and-answer session should not be held until Dec. 4 or after, since there is another bill that takes precedence.

3) Nukaga problem to impact adversely on deliberations on new refueling bill in Upper House

TOKYO SHIMBUN (Page 2) (Excerpts)  
November 26, 2007

The Diet will hold on Wednesday a plenary meeting of the House of Councillors, in which the government will explain the purpose of a new antiterrorism special measures bill, and submit to a question-and-answer session. The government and ruling parties, with an eye on the Dec. 12 current Diet session end, hope to continue deliberations on the bill as much as possible, but Finance Minister Fukushima Nukaga is now taking the brunt of the opposition camp's pursuit over his relationship with the defense equipment trading house Yamada Corp. The Nukaga problem is having a negative effect on progress in deliberation on the bill.

The government and ruling coalition aim to hold a question-and-answer on the new antiterrorism bill at the session the Upper House Committee on Foreign Affairs and Defense immediately after the plenary meeting.

However, the Democratic Party of Japan (DPJ or Minshuto), the largest party in the Upper House, will unlikely agree to their plan, with a senior DPJ Upper House member saying, "The Foreign Affairs and Defense Committee should prioritize pursuit of Mr. Nukaga rather than deliberations on the new bill." The DPJ has been steadily paving the way for pursuing Nukaga in cooperation with other committees.

The largest opposition party relentlessly pursued a series of defense scandals at three meetings of the Upper house last week with Nukaga present. The party tried to stress the seriousness of the issue by pointing to the fact that the Yamada Corp. had regularly purchased Nukaga's fund-raising party tickets.

At a Upper House Financial Affairs Committee session on Nov. 22, the DPJ stepped up its pursuit of Nukaga, citing as the reason that it had obtained testimony from another person who had joined a dinner hosted by Motonobu Miyazaki, a former Yamada Corp. executive, who is now under arrest. The allegation was that Nukaga had attended the dinner together with former Administrative Vice Defense Minister Takemasa Moriya, who has testified under oath that Nukaga was at the dinner.

Nukaga, however, rebutted: "I never attended that dinner." The DPJ then continued: "If Moriya's testimony is untrue, we want the two to testify together." The party will call today for unsworn testimony

by Moriya. A senior Diet Affairs Committee member said: "Nukaga will have to testify before the Diet" since the DPJ holds the chairman's posts of the Upper House committees on the foreign affairs and defense, as well as financial affairs.

4) Ishiba considering filing complaint against Yamada and examining contracts with other firms as well

ASAHI (Page 1) (Full)

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November 26, 2007

Defense Minister Shigeru Ishiba on a TV-Asahi talk show yesterday indicated that the ministry would shortly file a criminal complaint against defense equipment trading house Yamada Corp. for padding bills for defense equipment, saying, "If the facts are confirmed, we must file a complaint against the company."

Ishiba said: "Written estimates have been forged. It's basically fraud. Tax money has totally been squandered. Not only Yamada but other matters must be examined." He thus indicated that the ministry would closely examine equipment contracts concluded with firms other than Yamada, as well.

Yamada has admitted that it had padded bills by 3.7 million yen for two contracts on equipment of the Maritime Self-Defense Force, in addition to a contract on helicopter equipment, in which the involvement of former Administrative Vice-Defense Minister Takemasa Moriya was pointed out.

5) Moriya defended Mirise this spring before "discretionary contract" comment

ASAHI (Page 1) (Excerpts)  
November 26, 2007

In connection with the procurement of the engines for the CX next-generation transport aircraft for the Air Self-Defense Force, former Administrative Vice-Defense Minister Takemasa Moriya, 63, this past spring repeatedly made remarks defending Nihon Mirise Corp., a defense equipment trading house founded by former Yamada Corp. executive Motonobu Miyazaki, who is under arrest on suspicion of corporate embezzlement and other charges, sources familiar with the case said. It has already become clear that Moriya had made comments in June urging the ministry to conclude a discretionary contract with Mirise. Moriya himself explained the matter in his sworn testimony. It has now appeared that prior to June, Moriya had repeatedly made statements promoting the CX engine on behalf of Miyazaki's firm.

Miyazaki left Yamada in June 2006 and founded Mirise in September that year. Mirise and Yamada were in a fierce business battle over becoming the Japanese agent for the CX engine.

According to the sources, the Defense Ministry this April received a notice from General Electric Co., the CX engine's producer in the United States, stating that it would designate Mirise as the Japanese agent for its engines. It also became a problem in March that a representative of Mirise, which was not then a GE agent, had attended the ministry's engine procurement meeting in January. According to the sources, Moriya around that time pointed out that Yamada employees responsible for the matter had left the company following Miyazaki's departure from it. His comments are now taken as defending Mirise regarding the shipment of GE engines.

6) Moriya insisted on a private contract with NMC for over 2 months

TOKYO (Top play) (Abridged)  
November 26, 2007

Former Administrative Vice Defense Minister Takemasa Moriya persisted for over two months in calling for a private or

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discretionary contract (zuii-keiyaku) with Nihon Mirise Corporation (NMC) in the bidding for the Air Self-Defense Force's follow-on cargo aircraft (CX) engine, sources revealed. NMC was established by Motonobu Miyazaki, 69, a former managing director of Yamada Corporation, a trading firm dealing mainly in defense-related hardware supplies for the Self-Defense Forces. Yamada Corp. and NMC struggled to become an agent for the CX engine. Miyazaki has now been arrested for embezzlement and on other charges. Moriya gave the advantage to Miyazaki and his company in the bidding for the CX engine, according to the sources. The Tokyo District Public Prosecutors Office noted the fact that Moriya had long insisted on a discretionary contract (not open to public bidding). A task force of prosecutors from the office is believed to be investigating whether Moriya intended to favor Miyazaki.

The task force will today reinforce its investigative setup for a total of more than 30 prosecutors, including those from other district public prosecutors offices. Moriya used to play golf with Miyazaki, and he was allegedly wined and dined by Miyazaki. The task force will investigate the allegations full scale, with an eye to pressing charges for taking bribes.

In August last year, the Defense Ministry received a notice from the finance minister. At that time, the Defense Ministry reviewed all of its private contracts for its procurement of equipment and decided basically to hold open competitive bidding for its procurement in conformity with the finance minister's notification. However, the CX engine's manufacturer was expected to switch its agent from Yamada Corp. to NMC this summer. NMC was the only agent. In the Defense Ministry's rating of contractors, however, NMC was ranked at "D," making it ineligible to participate in competitive bidding. The Defense Ministry therefore held discussions in and after April this year on what to do about NMC.

According to informed sources, Defense Ministry officials explained to Moriya around that month that the Defense Ministry would first hold open competitive bidding. If there were no participants in the bidding, the Defense Ministry would then have entered into a private contract with NMC.

7) CX engine: Screening process report banned, Moriya possibly behind the scenes

SANKEI (Top play) (Abridged)  
November 26, 2007

The Defense Agency, now the Defense Ministry, decided to select an engine made by a US manufacturer, General Electric Co. (GE), for the Air Self-Defense Force's follow-on cargo aircraft (CX). In that process, CX engine screening members were prohibited from reporting the progress of their screening to the ASDF Air Staff Office. It is unusual for the Defense Ministry to give no explanation to the Air Staff Office in the process of screening hardware for the ASDF. Former Administrative Vice Defense Minister Takemasa Moriya, 63, is suspected of having taken part in that murky process of selecting the CX engine. A task force of the Tokyo District Public Prosecutors Office is apparently talking to screening members in the process of conducting an investigation.

Moriya used to play golf with Motonobu Miyazaki, 69, a former managing director of Yamada Corporation, a defense-related trading firm that was an agent of GE at that time. Moreover, Moriya was also

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allegedly wined and dined by Miyazaki, who has now been arrested for embezzlement and on other charges. The task force suspects that Moriya, in return for the treatment he received from Miyazaki, favored Miyazaki's trading company in selecting a GE engine and in performing several other functions. The task force seems to be about to enter the final stage of investigations, with an eye to charging Moriya with accepting bribes.

The Defense Agency at that time set up a CX engine screening committee consisting of Technical Research and Development Institute (TRDI) and ASDF division directors. This committee created a draft

plan, which was discussed in an equipment review panel chaired by Moriya. In August 2003, the agency decided to use a GE engine. In fact, however, the plan was created by an evaluation team that was set up under the screening board. It was reviewed by senior officials from the TRDI and officials from ASO divisions in charge.

8) Moriya possibly favored NMC in selecting engine for follow-on destroyer

NIKKEI (Page 43) (Abridged)  
November 26, 2007

Former Administrative Vice Defense Minister Takemasa Moriya, 63, sought to have a US engine model selected for the Maritime Self-Defense Force's next-generation destroyer, sources revealed yesterday. A Defense Ministry section had informally decided to introduce an engine model from a British manufacturer competing with its US rival, General Electric Co. (GE). In February this year, however, Moriya told the section through his subordinates to reconsider the decision. GE had a consultancy agreement with Nihon Mirise Corporation (NMC), a trading firm established by Motonobu Miyazaki, 69, a former managing director of Yamada Corporation. Moriya is suspected of having used his influence on behalf of NMC, according to the sources.

A task force of the Tokyo District Public Prosecutors Office strongly suspects that Moriya favored Miyazaki and his company. Moriya used to play golf with Miyazaki, and he was also wined and dined by Miyazaki for years. The task force also seems to be investigating other procurement contracts, with an eye to indictments for bribery.

The next-generation destroyer will be introduced as an escort for Aegis-equipped vessels. The Defense Ministry earmarked 75 billion yen for a new destroyer in its budget for the current fiscal year. The ministry is expected to screen and select manufacturers within the current fiscal year for the engine and other equipment items.

According to informed sources, the Defense Ministry's Weapons and Warships Division, which is in charge of the engine for the next-generation destroyer, and the MSDF's Logistics Department decided informally by February this year to introduce a Rolls Royce engine model for all of the four engines to be mounted on a new destroyer. The plan was reported to Moriya, according to the sources.

In the same month, Moriya, after receiving the report, voiced his dissatisfaction to his subordinates and told them to urge the Weapons and Warships Division and the Logistics Department to reconsider the plan, the sources said.

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9) Defense Ministry to award 584 million yen in USFJ realignment subsidy to Yokosuka

MAINICHI (Page 2) (Full)  
November 23, 2007

The Defense Ministry yesterday notified the local governments involved in plans for US force realignment of the informally determined amounts of subsidies given as compensation for accepting US force bases or training for this fiscal year - the initial year of the subsidization policy. The largest amount is 584 million yen to Yokosuka, Kanagawa Prefecture, for accepting Yokosuka US Navy base. A total of 4.569 billion yen will be awarded to the governments of 33 communities located near 12 US military bases across the nation, including Machida Air Station in Tokyo.

The first designation was announced late last month. The Defense Ministry intends to offer approximately 60 billion yen to the 33 local governments over the next 10 years or so.

Three more municipalities have been added to the subsidization list, including Kin Town, Okinawa, which made a policy switch to accept a plan to use Camp Hansen for Ground Self-Defense Force training. The

amounts of subsidies for these three will be announced later.

The amounts, calculated based on the area of a facility, the number of troops, and the contents of training, will be changed every fiscal year according to the degree of progress in realignment.

Four local governments that have declined the government's realignment plan, including Nago City and Ginoza-son, will not be subsidized. Zama City, Kanagawa Prefecture, and Iwakuni City, Yamaguchi Prefecture, have also been excluded from the incentive list.

10) Government to shortly unfreeze Okinawa economic package to find breakthrough in deadlocked Futenma plan

TOKYO SHIMBUN (Page 1) (Excerpts)  
November 25, 2007

The government decided yesterday to implement shortly the now frozen Okinawa northern area economic package totaling nearly 10 billion yen for FY2007, the aim being to find a breakthrough in the stalled plan of relocating the US Marine Corps' Futenma Air Station (Ginowan, Okinawa Prefecture) to the coastal area of Camp Schwab (Nago in the prefecture). The government also plans to continue its economic package for the area by appropriating another 10 billion yen in its FY2008 budget.

The Fukuda administration wants to elicit compromises from the affected areas by holding a second Futenma consultative council meeting in mid-December with the northern area incentive package as the leverage, according to sources familiar with the government.

The Okinawa prefectural government and 12 municipalities are the enterprising bodies of the northern area economic package, which covers a ten-year period starting in fiscal 2000 and totals 100 billion yen. Although the package is nominally for correcting regional disparities, it is strongly tinged with an aspect of being a reward for accepting the bases. Following a final Japan-US agreement on US force realignment, the government had decided at a

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cabinet meeting in late May last year to abolish the package, but it now has decided to continue it, with the aim of smooth implementation of the base relocation plan.

Disbursement of 10 billion yen in the fiscal 2007 budget has been frozen due to the stalled relocation talks. But now that the consultative council has met for the first time in ten months, Tokyo has recognized the need to dissolve the obstacles standing between the central government and affected municipalities.

11) Government experts panel to postpone producing report on collective defense in line with prime minister's cautious posture

TOKYO SHIMBUN (Top play) (Excerpts)  
November 25, 2007

The Council for Rebuilding the Legal Foundation for National Defense, a panel established by former Prime Minister Shinzo Abe and chaired by Shunji Yanai to study specific collective self-defense cases that are prohibited under the government's interpretation of the Constitution, decided on Nov. 24 to forgo producing a report before the end of the year, changing its original plan to complete such by this fall. Prime Minister Yasuo Fukuda is cautious about hastily reviewing the constitutional interpretation. The panel also took into consideration possible effects on Diet deliberations of a new antiterrorism legislation for resuming the Maritime Self-Defense Force's refueling operation in the Indian Ocean.

The council met five times between May and August this year in which a majority of members called for reviewing the government's conventional interpretation that the four types of cases for discussion constituted exercising the right to collective self-defense. For this reason, the panel intended to incorporate the call in the envisaged report.

But Prime Minister Abe abruptly resigned from the post in September. His successor, Prime Minister Fukuda has repeatedly indicated at the Diet that the question of reviewing of the constitutional interpretation must be handled carefully.

In addition, an argument on establishing a permanent law governing the overseas dispatch of the SDF has surfaced in the process of discussing the new antiterrorism legislation. With the permanent legislation argument partially overlapping with the four cases, such as relaxing the weapons use regulations, a view was gaining ground in the government that the council must not hastily reach a conclusion.

12) Japan to provide technology for environmental protection in China

SANKEI (Page 2) (Excerpts)  
November 26, 2007

The government announced yesterday that it would implement a co-benefits project aimed at preventing environmental destruction and combating global warming in China. Environment Minister Ichiro Kamoshita will reach an agreement with his Chinese counterpart on a framework of the project and how to promote it during high-level economic talks to be held in Beijing next month by relevant cabinet ministers from the two countries. Japan will help China prevent environmental destruction by providing energy-conservation and other

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technologies and know-how and also reduce greenhouse gas emissions. This will be the first project for Japan to offer cooperation to a developing country in the co-benefits area.

Kamoshita will visit China for the high-level economic talks on Dec. 1-2. In a meeting with his Chinese counterpart to be held on the sidelines, Kamoshita expects to reach an agreement on a framework for environmental cooperation. They are likely to work out measures to deal with (1) air pollution; (2) water contamination; and (3) waste disposal. Selecting model districts and business types subject to the project, the Japanese and Chinese environment ministers are expected to determine the specific time for implementation and other details.

In generating power, China depends on coal. Given this, Japan intends to provide technology to reduce such contaminants as sulfuric oxide and nitrogen oxide as measures to prevent air pollution. In addition, Japan will look into installing desulfurization equipment and transferring technology to keep the temperature in boilers at a proper level. Japan also plans to set up sewage treatment facilities.

Developing countries tend to put off measures to protect the environment as a result of giving priority to developing their economies. According to the National Institute for Environmental Studies, nitrogen oxide emissions from China are up more than four times what they were 23 years ago and are expected to double from the current level in 2020. By providing its energy-conservation technology, Japan aims to help China protect the environment while pursuing economic growth.

13) Dominant view in prefectural working-level meeting on BSE: Continuing blanket testing "scientifically meaningless"

MAINICHI (Page 2) (Full)  
November 23, 2007

The nationwide network conference of local governments on food safety held a meeting in Tokyo yesterday. Asked whether Japan should continue to mandate blanket testing to prevent BSE, most participants said that continuing such inspections is "meaningless." The conference confirmed the necessity to inform consumers of the scientific meaning of blanket testing.

The meeting brought together 68 representatives from 42 municipalities and one government ordinance city. Discussion was conducted on the necessity of the current requirement of inspecting



all cattle and the propriety of its continuation.

After the meeting, Kunihiisa Ozawa, chief of the Gunma Prefecture Food Safety Conference Secretariat, explained in a press conference:

"All participants except for those from several prefectures pointed out no need to continue testing cattle 20 months of age or younger, which is meaningless from a scientific perspective. ... A wide gap was found to exist between the scientific judgment of working-level officials and the policy judgment of giving consideration to public opinion."

The Ministry of Health, Labor and Welfare intends to end subsidies at the end of July next year for BSE testing of cattle 20 months of

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age or younger. But Hokkaido and other prefectures to which large amounts have been awarded are calling for continuing the subsidization.

DONOVAN